

1 - OR/EUR4  
2 - EURA Prod.Staff  
4 - OCO/IDCD/CD  
1 - WE/File  
1 - WE/IA File  
1 -   
1 -   
1 -   
DDI/EURA/WE/IA

22Mar83

22 March 1983

25X1

25X1

Greece : Talking Points for the DCI

Subject: Status of US-Greek Defense Negotiations

1. The negotiations over a new US-Greek Defense and Economic Cooperation Agreement (DECA) appear to be back on track.

- The talks began to lose momentum early last month after Washington announced FY 1984 military aid proposals for Turkey (\$755 million) and Greece (\$280 million). FY 1983 aid to Turkey and Greece was \$400 million and \$280 million, respectively. Washington had told Athens that it was prepared to increase aid in the context of a successful DECA. By mid-month, however, Papandreou had broken off negotiations, pending indications of how much additional assistance would be offered.
- Last Friday the US offered Greece an additional \$220 million in security assistance upon agreement on a new DECA.
- Papandreou has responded positively to the US offer, which brings the Greek package to \$500 million, or \$6.6 to every \$10 for Turkey. He has agreed to continue the talks in April. He has also backed off from threats he made last week to curtail US reconnaissance flights from Greece.

2. Although prospects for a DECA appear better than ever, several major issues remain:

- Even though the supplemental aid offer has brought the Greeks back to the bargaining table, the money question may not yet be resolved. The Greek negotiator has told his US counterpart, Ambassador Bartholomew, that the Greeks still expect "something better." Financial considerations have been crucial to the Greeks all along.

50X1-HUM

EUR M83-10093

- In the same vein, Athens still insists that the United States commit itself to the maintenance of a "quantitative and qualitative" military balance in the Aegean. Deputy Foreign Minister Kapsis told Ambassador Bartholomew earlier this month that Athens was negotiating on the supposition that "the idea of balance" would be incorporated in a final agreement, although the precise wording was open for discussion.

25X1

-- Both Washington and Athens agree on general provisions for defense industrial cooperation. However, Athens appears to be angling for an agreement on the co-production of fighter aircraft. Kapsis, for example, has said that the purchase of fighter aircraft is "principally a political decision," and the Greeks have hinted that the choice of a supplier will depend on offset and co-production arrangements. Thus far, however, Athens has failed to submit formal proposals for specific projects.

-- Athens has agreed in principle to a general status of forces agreement comparable to those signed with our other NATO allies. Technical discussions on supplementary bilateral arrangements, however, are likely to be long and arduous. Athens continues to press for greater control over the operations at the US bases.

25X1

-- The US offer of a five-year DECA--renewable annually for an additional three years--will probably satisfy Athens' desire for a fixed-term agreement. In order to placate its leftwing supporters the Papandreu government is likely to portray this arrangement as a timetable for the removal of bases.

3. We believe that if agreement is reached on these issues, Papandreu would be ready to sign the proposed DECA, which outlines in general terms the scope and purpose of a new base agreement to replace the 1953 accord.

-- This would satisfy his requirement for a political framework, and it would leave technical arrangements regarding specific installations to be worked out at a lower level.

-- Papandreu would submit the DECA to parliament, and we expect he would have little trouble obtaining ratification. We also believe he might decide to include some of his more telling compromises in secret side letters.

4. The public supports Prime Minister Papandreu's general goals in the base negotiations. In particular, President Karamanlis, opposition party leaders, and the public at large agree that the military aid balance between Greece and Turkey must be maintained. Greeks across the political spectrum currently view Turkey as the single greatest threat to the country's national security.

25X1

-- The main opposition party--conservative New Democracy--has censured the government for publicly stating that the US bases do not serve Greek national interests. 25X1

-- The Communists continue to demand the removal of the bases

25X1